

Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address Christopher Celentino, State Bar No. 131688 Mikel R. Bistrow, State Bar No. 102978 Dawn A. Messick, State Bar No. 236941 BALLARD SPAHR LLP 655 West Broadway, Suite 1600 San Diego, CA 92101 Telephone: 619-696-9200 Facsimile: 619-696-9269 Email: celentinoc@ballardspahr.com bistrowm@ballardspahr.com messickd@ballardspahr.com <input type="checkbox"/> Individual appearing without attorney <input checked="" type="checkbox"/> Attorney for Peter Mastan, Chapter 11 Trustee	FOR COURT USE ONLY
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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION**

In re: PASADENA ADULT RESIDENTIAL CARE, INC. Debtor.	Lead Case No. 2:13-bk-28484-RK Chapter 11 Jointly Administered Case Nos. 2:13-bk-28532-RK; 2:13-bk-28538-RK and 2:13-bk-28545-RK
AFFECTS ALL DEBTORS, PASADENA ADULT RESIDENTIAL CARE, INC., CASTLE VIEW SENIOR RETIREMENT ESTATE, INC., GARFIELD SENIOR CARE CENTER, INC., and PASADENA HEALTH CARE MANAGEMENT, INC.	NOTICE OF SALE OF ESTATE PROPERTY

Sale Date: January 15, 2016	Time: 2:00 p.m.
Location: U.S. Bankruptcy Court, Courtroom 1675, 255 East Temple Street, Los Angeles, California 90012	

January 4, 2016 (with respect to proposed sale)

January 14, 2016 at 2:00 p.m. (with respect to conduct of auction/selection of winning bidder only)

Type of Sale: ☒ Public ☐ Private

Last date to file objections: winning bidder only

Description of property to be sold:

(1) The right, title, and interest of the Garfield Trustee (defined in the Attachment hereto) in and to the real property and improvements thereon located at 1415, 1425, and 1435 North Garfield Avenue, in the city of Pasadena, California; and

(2) The right, title, and interest of the Operating Trustee (defined in the Attachment hereto) in and to the inventory, business records and contact lists, furniture, fixtures and equipment, goodwill, and intellectual property of the Operating Debtors (defined in the Attachment hereto). Such sale does not include, among other things, cash on hand, non-ordinary course of business litigation claims, the Trustee's avoidance power claims, and other times addressed in the Agreement (defined in the Attachment hereto).

Terms and conditions of sale: See Exhibit 1 attached hereto.

Proposed sale price: \$10,500,000.00.

Overbid procedure (if any): See Exhibit 1 attached hereto.

Auction to be conducted on January 13, 2016 at 10:00 a.m. at Law Offices of SulmeyerKupetz, 333 South Hope Street, 35th Floor, Los Angeles, California 90071. Deadline to submit qualifying minimum overbid of \$10,700,000 is 12:00 p.m. on January 11, 2016. For other rules, please see Exhibit 1.

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

January 15, 2016 at 2:00 p.m.

U.S. Bankruptcy Court

Courtroom 1675

255 East Temple Street

Los Angeles, CA 90012

Contact person for potential bidders (include name, address, telephone, fax and/or email address):

Mark S. Horoupian, Esq.

SulmeyerKupetz, A Professional Corporation

333 South Hope Street, 35th Floor

Los Angeles, California 90071

Tel: (213) 626-2311

Fax: (213) 629-4520

Email: mhoroupian@sulmeyerlaw.com

Date: December 22, 2015

Exhibit 1

EXHIBIT 1 TO LBR FORM 6004-2 NOTICE OF SALE OF ESTATE PROPERTY

Overbid Procedures

The following bidding and proposed sale procedures (the "Bidding Procedures") have been approved and authorized pursuant to the *Order Approving Bid Procedures And Break Up Fee In Connection With Proposed Sale Of Real And Personal Property* entered on December 17, 2015 (the "Bidding Procedures Order") by the Honorable Robert N. Kwan, United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court"), in the jointly administered chapter 11 bankruptcy cases of 1415 Garfield LLC, 1425 Garfield LLC, and 1435 Garfield LLC (the "Garfield Cases" or "Garfield Debtors"), which cases are being administered by Howard M. Ehrenberg, the duly appointed, qualified, and acting chapter 11 trustee of the bankruptcy estates of the Garfield Debtors (the "Garfield Trustee"), and in the jointly administered chapter 11 bankruptcy cases of Pasadena Adult Residential Care, Inc. dba Pasadena Adult Residential Care Center, Inc. dba Pasadena Adult Residential Care Center dba Pasadena Residential Care Center dba Pasadena Res. Care Center Inc. as licensee (collectively, "PARC"), Castle View Senior Retirement Estate, Inc. dba Castle View Retirement Estate, Inc. dba Castle View Retirement Estate dba Castle View Sen. Ret. Estate Inc as licensee (collectively, "CVRE"), Garfield Senior Care Center, Inc. dba Garfield Senior Care Center dba Garfield Care Center dba Garfield Sen. Care Ctr. Inc. as licensee (collectively, "GSCC"), and Pasadena Health Care Management, Inc. dba Pasadena Healthcare Management, Inc. (collectively, "PHCM" and, together with PARC, CVRE, and GSCC, the "Operating Cases" or "Operating Debtors"), which cases are being administered by Peter Mastan, the duly appointed, qualified, and acting chapter 11 trustee of the bankruptcy estates of the Operating Debtors (the "Operating Trustee" and, together with the Garfield Trustee, the "Trustees").

The Bidding Procedures established under the Bidding Procedures Order govern the auction (the "Auction") which may be conducted in connection with the proposed sale of: (a) the real property and improvements owned by the Garfield Debtors located at 1415 Garfield Avenue, 1425 Garfield Avenue, and 1435 Garfield Avenue in the City of Pasadena, California (the "Real Property") and (b) substantially all of the assets and rights of the Operating Debtors that are used in the ownership and operation of the Operating Debtors' businesses, other than certain excluded assets (the "Operating Assets" and, together with the Real Property, the "Purchased Assets").

1. Time and Place of Auction. If one or more Qualified Bids (defined below) is received by the Overbid Deadline (defined below), then the Trustees shall conduct the Auction. **The Auction shall be conducted at 10:00 a.m., Pacific Standard Time, on Wednesday, January 13, 2016,** at the offices of the counsel for the Garfield Trustee, **SulmeyerKupetz, PC**, 333 South Hope Street, 35th Floor, Los Angeles, California 90071.

2. Determination for Qualified Bidder(s). Any person who wishes to participate in the Auction must be a Qualified Bidder. A "Qualified Bidder" is a potential bidder who:

a. timely delivers to the Trustees a deposit and other overbid deliverables (see Paragraph 4 and 5, below) on the terms described herein;

b. provides evidence of his/her/its financial ability to fully and timely close the transaction to purchase the Purchased Assets to the Trustees' collective and reasonable satisfaction;

EXHIBIT 1 TO LBR FORM 6004-2 NOTICE OF SALE OF ESTATE PROPERTY

c. discloses the qualifications of the potential bidder relevant to allow the Trustees the opportunity to assess the likelihood of said bidder obtaining requisite regulatory approval, including but not limited to necessary licenses from the State of California Department of Social Services (the "DSS") to operate the facilities currently operated by PARC, CVRE, and GSCC (the "Facilities");

d. acknowledges that the transaction is on the same terms and conditions as those set forth in the Asset Purchase Agreement (the "Agreement") entered into between the Trustees and John Steinfeld (the "Purchaser"), a copy of which was appended as "Exhibit 1" to the Trustees' motion for approval of the sale of the Purchased Assets (the "Sale Motion") filed in their respective cases on December 18, 2015, or on other terms such that, following the closing of the transaction contemplated by such bid, the Trustees shall receive cash consideration payable to the Trustees at closing in an amount that is not less than \$10,700,000.00 (the "Minimum Overbid");

e. acknowledges that the Trustees' sale of the Purchased Assets to him/her/it remains subject to Bankruptcy Court approval; and

f. accompanies his/her/its bid with a good faith cash or cash equivalent deposit in the amount of at least \$500,000.00.

3. Disclosure of Relationships and Consent to Jurisdiction. Each Qualified Bidder must disclose all of its pre-petition and post-petition relationships with other bidders, the Trustees, major creditors of the Garfield Debtors, the Operating Debtors and/or any of their principals, agents or representatives. Only a Qualified Bidder is entitled to bid at the Auction. Each potential bidder, whether a Qualified Bidder or not, and its affiliates or joint venturers, shall be deemed to have submitted to the exclusive jurisdiction of the Bankruptcy Court with respect to all matters relating to their bids, the Auction, and the purchase/sale of the Purchased Assets.

4. Overbid Deliverables. Any Qualified Bidder wishing to bid on the Purchased Assets shall deliver the following to the Trustee, in care of the Broker (as that term is defined herein), **by no later than 12:00 p.m., Pacific Standard Time, on Monday, January 11, 2016** (the "Overbid Deadline");

a. a written notice of intent to bid on the Purchased Assets which includes the amount of such Qualified Overbidder's bid (which must equal at least the Minimum Overbid of \$10,700,000.00);

b. an executed purchase and sale agreement substantially in the form of the Agreement. Any changes to the Agreement shall be redlined or otherwise conspicuously noted (a copy of the Agreement in Microsoft Word© format may be obtained by emailing a request to mhoroupian@sulmeyerlaw.com);

c. written evidence of financial ability to close the transaction; and

d. a cashier's check or money order, payable to "Howard M. Ehrenberg, Trustee," in the amount of at least \$500,000.00 (the "Deposit"), to serve as a deposit towards the total purchase price. The potential bidder shall identify the source of the Deposit, and certify

EXHIBIT 1 TO LBR FORM 6004-2 NOTICE OF SALE OF ESTATE PROPERTY

under penalty of perjury that the potential bidder has the appropriate title and ownership of the monies used to fund the Deposit.

5. Qualified Bid Requirements. A bid will constitute a "Qualified Bid" only if such bid:

a. is not conditioned on obtaining financing or any internal approval, the outcome or review of due diligence, or obtaining requisite regulatory approval including, but not limited to, receipt of licenses from the DSS;

b. is irrevocable through the conclusion of the Auction;

c. does not request or entitle the bidder to any break-up fee, termination fee, expense reimbursement or similar type of payment;

d. acknowledges and represents that the bidder (i) has conducted, or had the opportunity to conduct, its due diligence with respect to the respective property and the transaction structure set forth in the Agreement, (ii) in making its bid, has relied solely on its own independent review, investigation and/or inspection of the same, and (iii) did not rely on any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law, or otherwise regarding the same, or the completeness of any information provided in connection with the Auction, except as expressly stated in these Bidding Procedures;

e. fully discloses the identity of the person or entity that will be bidding or otherwise participating in connection with such bidding, and all terms of any such participation that, in the reasonable business judgment of the Trustees, are relevant to such bid; and

f. discloses the qualifications of the potential bidder relevant to allow the Trustees to assess the likelihood of said bidder obtaining requisite regulatory approval including, but not limited to, necessary licenses from the DSS to operate the Facilities.

6. Option of Trustees to Extend Bid Deadline and/or Proceed without Auction. The Trustees may extend the Overbid Deadline once or successively, but are not obligated to do so. If the Trustees extend the Overbid Deadline, they shall promptly notify all potential bidders of the extension. If no Qualified Bid is received by the Trustees by the Bid Deadline, the Trustees will proceed with the hearing on the Sale Motion seeking approval of the sale to the Purchaser (the "Sale Hearing") without conducting the Auction.

7. Due Diligence Requests. Each potential bidder shall direct any request he/she/it may have relating to due diligence materials in writing by email to the Trustees or to Shep Roylance, at JCH Senior Housing (the "Broker") at shep@shepjch.com. The Trustees, to the extent available without any duty of inquiry and discovery, will use commercially reasonable good faith efforts to afford each potential bidder such due diligence information as the Trustees determine to be reasonable and appropriate. Upon request and after receipt of an executed nondisclosure agreement, the Trustees shall deliver (unless previously delivered) all documents delivered to any other potential bidder. The Trustees shall not be obligated to furnish any due

EXHIBIT 1 TO LBR FORM 6004-2 NOTICE OF SALE OF ESTATE PROPERTY

diligence information after the Overbid Deadline and no conditions relating to the completion of due diligence shall be permitted to exist after the Overbid Deadline.

8. No Representations/Warranties. Furthermore, the Trustees expressly disclaim (i) any representation, warranty, covenant, guaranty, agreement or assurance as to any materials provided including, without limitation, any representation or warranty as to the accuracy or completeness of any such materials, and (ii) any liability of whatsoever kind and nature with respect to the materials provided. **A Qualified Bidder who submits an Overbid does so with the knowledge that he/she/it conducted, or had the opportunity to conduct, its due diligence prior to the Auction.**

9. Sole Discretion of Trustees in Acceptance/Rejection of Overbids. The Trustees collectively hold sole discretion in accepting and rejecting all overbids, including, without limitation, taking into account such non-monetary factors or other consideration that might be relevant to the sale to a particular buyer. Such factors include, but are not limited to, the ability of the proposed overbidder to obtain a new license from the DSS.

10. "As Is, Where Is" / Free and Clear Sale. Subject to and except as otherwise provided in the Agreement, the sale of the Purchased Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature or description by the Trustees. All of the Trustees' right, title and interest in the Purchased Assets shall be sold, subject to approval by order of the this Court entered after the Sale Hearing, free and clear of all liens, claims, adverse claims of ownership, and other interests (collectively, "Encumbrances"), other than those permitted or arising under the respective purchase agreements representing Conditions of Title, in accordance with the Bankruptcy Code, with such Encumbrances (other than the Encumbrances representing or in connection with the Conditions of Title), if any, to attach to the net proceeds of the sale with the same priority as existed with respect to Property.

11. Auction Procedures. The Auction shall be conducted in accordance with the following procedures:

a. Only a Qualified Bidder who has submitted a Qualified Bid will be eligible to participate;

b. All Qualified Bidders must be present in person or through a qualified representative.

c. At the Auction, Qualified Bidders will be permitted to increase their bids by at least minimal increments of \$50,000.00. The Trustees shall announce prior to each subsequent round of bidding the minimum incremental overbids.

d. At the conclusion of the Auction, the Trustees will (i) identify the highest and best offer (the "Successful Bid"), and (ii) identify the next highest or otherwise best offer after the Successful Bid (the "Next Highest Bid"). The Trustees shall have the right to request additional financial information from a Qualified Bidder if deemed necessary to evaluate the ability of the Qualified Bidder to consummate the contemplated transaction.

EXHIBIT 1 TO LBR FORM 6004-2 NOTICE OF SALE OF ESTATE PROPERTY

e. If the bidder identified by the Trustees as the Next Highest Bidder agrees to maintain its status as a back-up bidder, then it also must agree that its Next Highest Bid will remain irrevocable and subject to acceptance by the Trustees, and the Trustee will retain its good faith Deposit until the sale to the Successful Bidder closes. If the bidder initially identified by the Trustees as the Next Highest Bidder does not agree to such terms, then the Trustees, in their sole discretion, may identify the next highest or otherwise best bid as the Next Highest Bid, and may continue to do so until such a bidder who has submitted such a bid agrees to become the Next Highest Bidder.

12. Withholding/Return of Deposits. The good faith Deposits of all Qualified Bidders shall be held by the Trustees, but shall not become property of any of the Garfield Debtors' or Operating Debtors' estates absent further order of this Court. Good faith Deposits made by Qualified Bidders, other than those made by the Successful Bidder and any Next Highest Bidder who agrees to maintain its status as a back-up bidder, shall be returned to such Qualified Bidder within fifteen (15) business days following the conclusion of the Auction. If the Successful Bidder (or a Next Highest Bidder who agrees to maintain its status as a back-up bidder) timely closes by the Closing Date, then its good faith Deposit shall be credited towards the amount due at Closing. If the Successful Bidder (or a Next Highest Bidder who agrees to maintain its status as a back-up bidder) fails to timely close by the Closing Date, then its good faith Deposit shall be disposed of as provided in the purchase agreement.

13. Stalking Horse Break-Up Fee. In the event that an overbidder (and not the Purchaser) is the successful bidder for the purchase of the Purchased Assets, and the sale to the overbidder closes, the Trustees shall pay to the Purchaser, from the sale proceeds, the break-up fee of \$150,000.00 (the "Break-Up Fee"). The Purchaser shall be allowed to credit bid the Break-Up Fee in any overbid(s) that the Purchaser may elect to make with respect to the Purchased Assets.

14. Closing Date. In the event that an Auction is held, the Trustees intend to enter into the transaction contemplated by the Agreement with the Successful Bidder. The Trustee and the Successful Bidder shall close the transactions contemplated by the Agreement on the 30th day after entry of the Order Approving the Sale (the "Closing Date"), unless the Trustees, in their sole discretion, agree to extend the Closing Date further. In the event that the Successful Bidder fails to close the transaction contemplated by the Agreement, then the Trustee shall be authorized to close with the Next Highest Bidder without notice to any other party or any further court order.

15. Extension of Deadline(s). The Trustees may extend or alter any deadline contained in this Notice if it will better promote the goals of the bidding process described herein. At or before the Auction, the Bankruptcy Court or the Trustees may impose such other terms and conditions as it or they may determine to be in the best interests of the respective bankruptcy estates, their creditors, and other parties in interest.

EXHIBIT 1 TO LBR FORM 6004-2 NOTICE OF SALE OF ESTATE PROPERTY

Terms and Conditions of Sale

The Purchased Assets shall be sold "as is" and "where is" free and clear of all liens, claims and encumbrances.

The purchase price for the Purchased Assets shall be \$10,500,000 in cash. The Purchaser has delivered to the Operating Trustee, a deposit in the amount of Two Hundred Thousand Dollars (\$200,000) in cash (collectively, along with any interest from time to time earned thereon, the "Initial Deposit"). The Operating Trustee has obtained approval from the Bankruptcy Court to use the deposit, to the extent needed, as a bridge loan to cover any cash short falls pending closing of the proposed sale. To the extent there is an outstanding balance on the bridge loan at the time of closing, the Purchaser will be entitled to a credit against the Purchase Price in the amount equal to the outstanding balance on the loan. Within three (3) days prior to the Auction (discussed below), the Purchaser will supplement his deposit such that the total deposit will be \$500,000.

The balance of the Purchase Price shall be payable by Purchaser prior to closing. Unless the Trustees agree to a later date, the closing shall occur within 30 days following entry of an Order approving the Sale Motion, unless the Order is stayed pending appeal, in which event the Closing shall occur on the first business day after the stay is no longer in effect (the "Closing").

The Operating Trustee will enter into a Management and Operations Transfer Agreement ("MOTA"), and Assignment and Assumption Agreement and a Bill of Sale, in the respective forms similar to the drafts attached to the Sale Motion as composite "Exhibit 2" at and to be effective as of the Closing.

Subject to the terms and conditions of the MOTA, the MOTA will allow the Purchaser to manage the Facility Debtors (as defined in the MOTA) and operate under the Facility Debtors' licenses pending receipt of its own licenses after requisite regulatory approval. To be clear, regulatory approval including the approval of licenses is not a condition of Closing. Rather, subject to the terms and conditions of the MOTA, the Closing will occur concurrently with the execution and effective date of the MOTA, such that the Purchaser will manage and take over operations on the date of the Closing, and will continue to manage and operate under the Facility Debtors' licenses pending requisite regulatory approval including but not limited to obtaining licenses. Further, in order for the Purchaser to manage and operate the Facility Debtors, as set forth in and subject to the MOTA, the MOTA provides that the Purchaser, immediately following the transfer as of the Closing, will lease the Operating Assets necessary to operate the Facilities to the Facility Debtors until the Transition Date (as defined in the MOTA). In addition, since the real property leases for the Operating Debtors will have expired by December 31, 2015, the MOTA provides that the Operating Debtors will remain in possession of their respective Facilities and space, as applicable, on a rent free basis until the termination of the MOTA.

The Assignment and Assumption Agreement will effect the assignment of the Assumed Contracts (as defined in the Agreement). The Bill of Sale is related to the sale, transfer and conveyance of the subject personal property.

EXHIBIT 1 TO LBR FORM 6004-2 NOTICE OF SALE OF ESTATE PROPERTY

As soon as practicable after the Closing, Purchaser and Sellers shall use their commercially reasonable efforts to agree upon the allocation of the Purchase Price among the Purchased Assets and allocating the Purchase Price among the various assets comprising the Purchased Assets in accordance with Treasury Regulation 1.1060-1 (or any comparable provisions of state or local tax law) or any successor provision, provided, however, that at least \$500,000 of consideration shall be allocated to the Operating Assets included in the Purchased Assets.

The sale shall be free of all liens, claims, and encumbrances, other than those that are permitted by the Agreement. With respect to the Real Property, the Garfield Trustee will propose to pay off the following liens from the sale proceeds: (1) the liens of the Garfield Debtors' secured lender, B-Squared, Inc. dba All California Funding ("ACF") on account of its allowed claims against each property; and (2) all accrued and unpaid real property taxes as of the Closing. The sale will be clear of all other liens, claims, interests and encumbrances, whether known or unknown, and whether listed or not listed in the preliminary title reports attached to the Sale Motion as Exhibits 4, 5, and 6. Specifically, the sale will be free of the disputed liens of the Internal Revenue Service, Franchise Tax Board of the State of California, Investor's Pot, LLC, and Parsein, LLC. The Garfield Trustee will also allocate and distribute at least \$500,000 from the sale proceeds to the Operating Debtors. With respect to the Operating Assets, the Operating Trustee proposes to pay off the following liens from the sale proceeds as further set forth in the Memorandum of Points and Authorities attached to the Sale Motion: (1) the judgment lien of HCF Insurance ("HCF") in the sum of \$250,000, to be paid from the at least \$500,000 allocation and distribution from the sale proceeds to the Operating Debtors, pursuant to the order and agreement set forth in the Order on Motion to Revoke Dismissals and for the Appointment of Trustee [Dkt No. 483, Case No. 2:13-bk-28284] and the Order Approving Compromise Regarding Treatment of Claim [Dkt No. 500, Case No. 2:13-bk-28284], in exchange for which the sale of the Operating Assets will be free and clear of HCF's lien; (2) the purported lien of Ice Machine Sales and Service Co. to the extent that the subject personal property is part of the Purchased Assets, and only in the amount that is confirmed outstanding on the lease, if any, which is currently being investigated; and (3) the purported lien of the IRS in the amount of \$18,671.56, or lower amount, which is currently being investigated. The sale of the Operating Assets will be free and clear of all other liens, claims, interests and encumbrances, whether known or unknown. The sale will be free of the disputed liens as set forth in the Sale Motion including Investor's Pot, LLC and, as and if applicable, any purported liens including but not limited to federal and state tax liens not filed at the Secretary of State, State of California.

Exhibit 2

1 Christopher Celentino, State Bar No. 131688
Mikel Bistrow, State Bar No. 102978
2 Dawn A. Messick, State Bar No. 236941
BALLARD SPAHR LLP
3 655 West Broadway, Suite 1600
San Diego, CA 92101-8494
4 Telephone: 619.696.9200
Facsimile: 619.696.9269
5 Email: celentinoc@ballardspahr.com
bistrowm@ballardspahr.com
6 messickd@ballardspahr.com

7 Proposed Counsel to the Chapter 11 Trustee,
Peter J. Mastan
8

9
10 **UNITED STATES BANKRUPTCY COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**
12 **LOS ANGELES DIVISION**

13 In re:

14 PASADENA ADULT RESIDENTIAL CARE,
INC.,

15 Debtor.

16 AFFECTS ALL DEBTORS,

17 PASADENA ADULT RESIDENTIAL CARE,
INC.,

18 CASTLE VIEW SENIOR RETIREMENT
19 ESTATE, INC.,

20 GARFIELD SENIOR CARE CENTER, INC.,
and

21 PASADENA HEALTH CARE
22 MANAGEMENT, INC.

Case No. 02:13-bk-28484-RK

Jointly Administered Case Nos. 02:13-bk-
28532-RK; 02:13-bk-28538-RK and
02:13-bk-28545-RK

Chapter 11

**NOTICE OF MOTION BY HOWARD M.
EHRENBERG AND PETER MASTAN, IN
THEIR CAPACITIES AS CHAPTER 11
TRUSTEES, TO APPROVE SALE OF
REAL AND PERSONAL PROPERTY
FREE AND CLEAR OF ALL LIENS,
CLAIMS AND ENCUMBRANCES; AND
NOTICE OF HEARING**

Hearing on Sale Motion

Date: January 15, 2016

Time: 2:00 p.m.

Place: U.S. Bankruptcy Court
Courtroom 1675
255 East Temple Street
Los Angeles, CA 90012

Hon. Robert N. Kwan

1 **TO THE HONORABLE ROBERT N. KWAN, UNITED STATES BANKRUPTCY**
2 **JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTORS, AND**
3 **PARTIES IN INTEREST:**

4 **PLEASE TAKE NOTICE** that on December 18, 2015, Howard M. Ehrenberg, the duly
5 appointed and acting chapter 11 trustee ("Ehrenberg" or the "Garfield Trustee") in the jointly
6 administered chapter 11 bankruptcy cases (collectively, the "Garfield Cases" or "Garfield
7 Debtors") of 1415 Garfield LLC, a California limited liability company (the "1415 Garfield"),
8 1425 Garfield LLC, a California limited liability company (the "1425 Garfield"), and 1435
9 Garfield LLC, a California limited liability company (the "1435 Garfield"), together with Peter
10 Mastan, the duly appointed and acting chapter 11 trustee ("Mastan" or the "Operating Trustee"
11 and, together with Ehrenberg, the "Trustees" or "Sellers") in the jointly administered chapter 11
12 bankruptcy cases (collectively, the "Operating Cases" or "Operating Debtors") of Pasadena Adult
13 Residential Care, Inc. dba Pasadena Adult Residential Care Center, Inc. dba Pasadena Adult
14 Residential Care Center dba Pasadena Residential Care Center dba Pasadena Res. Care Center Inc.
15 as licensee (collectively, "PARC"), Castle View Senior Retirement Estate, Inc. dba Castle View
16 Retirement Estate, Inc. dba Castle View Retirement Estate dba Castle View Sen. Ret. Estate Inc as
17 licensee (collectively, "CVRE"), Garfield Senior Care Center, Inc. dba Garfield Senior Care
18 Center dba Garfield Care Center dba Garfield Sen. Care Ctr. Inc. as licensee (collectively,
19 "GSCC"), and Pasadena Health Care Management, Inc. dba Pasadena Healthcare Management,
20 Inc. (collectively, "PHCM"), filed the *Motion By Howard M. Ehrenberg And Peter Mastan, In*
21 *Their Capacities As Chapter 11 Trustees, To Approve Sale Of Real And Personal Property Free*
22 *And Clear Of All Liens, Claims And Encumbrances* [Dkt. No. No. 551] (the "Motion"), pursuant to
23 which the Trustees seek entry of an order approving the joint sale of the Garfield Debtors' and
24 Operating Debtors' real property and operating personal property assets, respectively, to John
25 Stienfield ("Purchaser") or to the party who submits the best and highest bid at the auction to be
26 conducted on January 13, 2016 pursuant to previously approved bid procedures.

27 **PLEASE TAKE FURTHER NOTICE** that on **January 15, 2016 at 2:00 p.m.** at the
28 above captioned place, the Court will conduct a hearing on the Motion.

1 **PLEASE TAKE FURTHER NOTICE** that, subject to Court approval, the Trustees have
2 agreed to sell, and Purchaser has agreed to purchase, the Trustees' right, title and interest in and to
3 (a) the real property and improvements owned by the Garfield Debtors located at 1415 Garfield
4 Avenue, 1425 Garfield Avenue and 1435 Garfield Avenue in the City of Pasadena, California (the
5 "Real Property"); and (b) substantially all of the assets and rights of the Operating Debtors that are
6 used in the ownership and operation of the Operating Debtors' businesses, other than certain
7 excluded assets (the "Operating Assets," and together with the Real Property, the "Purchased
8 Assets"), as further described herein and all subject to the terms and conditions of the Asset
9 Purchase Agreement (the "Agreement") in the form attached to the Motion as Exhibit 1.

10 **PLEASE TAKE FURTHER NOTICE** that, subject to the terms and conditions of the
11 Agreement, the Purchased Assets include: (a) the Garfield Trustee's right, title and interest in and
12 to the real property and improvements thereon located at 1415, 1425 and 1435 North Garfield
13 Avenue, in the City of Pasadena, California; and (b) the Operating Trustee's right, title and
14 interest, in and to the inventory, business records and contact lists, furniture, fixtures and
15 equipment, goodwill, and intellectual property of the Operating Debtors. Such sale does not
16 include, among other things, cash on hand, non-ordinary course of business litigation claims, the
17 Trustee's avoidance power claims, among other items addressed in the Agreement.

18 **PLEASE TAKE FURTHER NOTICE** that the Purchased Assets will be sold "as is" and
19 "where is" free and clear of all liens, claims and encumbrances.

20 **PLEASE TAKE FURTHER NOTICE** that the purchase price for the Purchased Assets
21 shall be \$10,500,000 in cash, or such higher purchase price that is obtained through the bid
22 procedures described below. Purchaser has already delivered to the Operating Trustee an initial
23 deposit in the amount of Two Hundred Thousand Dollars (\$200,000) in cash (collectively, along
24 with any interest from time to time earned thereon, the "Initial Deposit"). Within three (3)
25 calendar days prior to the Auction (as defined below), Purchaser shall supplement the Initial
26 Deposit such that the total amount held by the Trustees is \$500,000 (together with the Initial
27 Deposit, the "Deposit"). The balance of the Purchase Price shall be payable by Purchaser prior to
28 closing ("Seller's Closing Payment"). Unless the Trustees agree to a later date, the closing shall

1 occur within 30 days following entry of an Order approving the Motion, unless the Order is stayed
2 pending appeal, in which event the Closing shall occur on the first business day after the stay is no
3 longer in effect) (the "Closing").

4 **PLEASE TAKE FURTHER NOTICE** that the Operating Trustee will enter into a
5 Management and Operations Transfer Agreement ("MOTA"), and Assignment and Assumption
6 Agreement and a Bill of Sale, in the respective forms similar to the drafts attached to the Motion
7 as composite Exhibit 2, at and to be effective as of the Closing. Subject to the terms and
8 conditions of the MOTA, the MOTA will allow Purchaser to manage the Facility Debtors (as
9 defined in the MOTA) and operate under the Facility Debtors' licenses pending receipt of its own
10 licenses after requisite regulatory approval. To be clear, regulatory approval, including the
11 approval of licenses, is not a condition of Closing. Rather, subject to the terms and conditions of
12 the MOTA, the Closing will occur concurrently with the execution and effective date of the
13 MOTA, such that Purchaser will manage and take over operations on the date of the Closing, and
14 will continue to manage and operate under the Facility Debtors' licenses pending requisite
15 regulatory approval, including but not limited to, obtaining licenses. In addition, the Operating
16 Trustee has retained Purchaser under an ordinary course Management Consulting Agreement
17 pursuant to which Purchaser has been assisting the Operating Trustee with the day-to-day
18 operations as of November 10, 2015. The Operating Trustee has agreed to compensate Purchaser
19 for these consulting services at the rate of \$5,000 per month, payable only if there are net profits
20 available to make such payments. In the event there are no such net profits, the management fee
21 will accrue, and will be chargeable against the Purchase Price allocated to the Operating Assets.
22 The Assignment and Assumption Agreement will effect the assignment of the Assumed Contracts
23 (as defined in the Agreement). The Bill of Sale is related to the sale, transfer and conveyance of
24 the subject personal property.

25 **PLEASE TAKE FURTHER NOTICE** that as soon as practicable after the Closing,
26 Purchaser and Sellers will use their commercially reasonable efforts to agree upon the allocation
27 of the Purchase Price among the Purchased Assets and allocating the Purchase Price among the
28 various assets comprising the Purchased Assets in accordance with Treasury Regulation 1.1060-1

(or any comparable provisions of state or local tax law) or any successor provision, provided, however, that at least \$500,000 of consideration shall be allocated to the Operating Assets included in the Purchased Assets.

PLEASE TAKE FURTHER NOTICE that on December 17, 2015, the Court entered an order approving certain bidding procedures (the "Bid Procedures") that will govern the auction (the "Auction"), pursuant to which the Trustees will entertain potential overbids for the Purchased Assets. A true and correct copy of the order (the "Bid Procedures Order") approving the Bid Procedures in the Operating Cases is attached to the Motion as Exhibit 3 (a substantively identical order was entered in the Garfield Cases at Docket No. 132). Generally speaking, the Bid Procedures Order establishes that the Auction will be conducted on January 13, 2016 at 10:00 a.m.; the deadline to submit a bid to qualify to participate in the Auction is January 11, 2016; and the minimum qualifying overbid is \$10,700,000.

PLEASE TAKE FURTHER NOTICE that the sale shall be free of all liens, claims, and encumbrances, other than those that are permitted by the Agreement. With respect to the Real Property, the Garfield Trustee will propose to pay off the following liens from the sale proceeds: (1) the liens of the Garfield Debtors' secured lender, B-Squared, Inc. dba All California Funding ("ACF") on account of its allowed claims against each property; and (2) all accrued and unpaid real property taxes as of the Closing. The sale will be clear of all other liens, claims, interests and encumbrances, whether known or unknown, and whether listed or not listed in the preliminary title reports attached to the Motion as Exhibits 4, 5, and 6 (the "Title Reports"). Specifically, the sale will be free of the disputed liens of the Internal Revenue Service, Franchise Tax Board of the State of California, Investor's Pot, LLC, and Parsein, LLC. The Garfield Trustee will also allocate and distribute at least \$500,000 from the sale proceeds to the Operating Debtors. With respect to the Operating Assets, the Operating Trustee proposes to pay off the following liens from the sale proceeds as further set forth in the Memorandum of Points and Authorities attached to the Motion: (1) the judgment lien of HCF Insurance ("HCF") in the sum of \$250,000, to be paid from the at least \$500,000 allocation and distribution from the sale proceeds to the Operating Debtors, pursuant to the order and agreement set forth in the Order on Motion to Revoke Dismissals and for

1 the Appointment of Trustee [Dkt No. 483, Case No. 2:13-bk-28284] and the Order Approving
2 Compromise Regarding Treatment of Claim [Dkt No. 500, Case No. 2:13-bk-28284], in exchange
3 for which the sale of the Operating Assets will be free and clear of HCF's lien; (2) the purported
4 lien of Ice Machine Sales and Service Co. to the extent that the subject personal property is part of
5 the Purchased Assets, and only in the amount that is confirmed outstanding on the lease, if any,
6 which is currently being investigated; and (3) the purported lien of the IRS in the amount of
7 \$18,671.56, or lower amount, which is currently being investigated. The sale of the Operating
8 Assets will be free and clear of all other liens, claims, interests and encumbrances, whether known
9 or unknown. The sale will be free of the disputed liens as set forth in the Motion including
10 Investor's Pot, LLC and, as and if applicable, any purported liens including but not limited to
11 federal and state tax liens not filed at the Secretary of State, State of California.

12 **PLEASE TAKE FURTHER NOTICE** that pursuant to Local Bankruptcy Rule 9013-
13 1(f), any party opposing the relief requested in the Motion must file and serve a written opposition
14 no later than fourteen (14) days prior to the hearing on the Motion.

15 **PLEASE TAKE FURTHER NOTICE** that interested parties may file limited objections
16 pertaining only to issues regarding how the Auction was conducted by no later than 2:00 p.m. on
17 the day before the hearing on the Sale Motion.

18 **PLEASE TAKE FURTHER NOTICE** that copies of any timely filed opposition must be
19 served upon (i) the Garfield Trustee, Howard M. Ehrenberg, through his counsel of record,
20 SulmeyerKupetz, A Professional Corporation, 333 South Hope Street, 35th Floor, Los Angeles,
21 CA 90071, Attention: Mark S. Horoupian, Esq., Fax: (213) 629-4520; (ii) the Operating Trustee,
22 through his counsel of record, Ballard Spahr, LLP, 655 West Broadway, Suite 1600, San Diego,
23 California 92101-8494, Attention: Christopher Celentino, Esq., Fax: (619) 696-6269; and (iii) the
24 Office of the United States Trustee, 915 Wilshire Blvd., Suite 1850, Los Angeles, CA 90017, Fax:
25 (213) 894-2603.

26 **PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Bankruptcy Rule 9013-
27 1(h), the failure to timely file and serve an objection to the Motion in accordance herewith may be
28 deemed by the Court to be consent to the relief requested in the Motion.

1 **PLEASE TAKE FURTHER NOTICE** that if not required to be attached, a set of the
2 moving papers will be provided, upon request, by the undersigned or may be inspected at the
3 office of the Clerk.

4 Date: December 21, 2015

BALLARD SPAHR LLP

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6 By: /s/ Dawn A. Messick
7 Dawn A. Messick
8 Proposed Counsel to the Chapter 11 Trustee,
9 Peter J. Mastan
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PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
655 West Broadway, Suite 1600, San Diego, California 92101.

A true and correct copy of the foregoing document entitled (*specify*):

1. NOTICE OF SALE OF ESTATE PROPERTY

will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On December 22, 2015, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On December 22, 2015, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on December 22, 2015, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Via Overnight Delivery:

Hon. Robert N. Kwan
United States Bankruptcy Court
Edward R. Roybal Federal Building and Courthouse
255 E. Temple Street, Suite 1682
Los Angeles, CA 90012
Federal Express Tracking Number: 7820 3180 5447

☒ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

December 22, 2015
Date

Ashley Chabot
Printed Name

/s/ Ashley Chabot
Signature

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

- Simon Aron saron@wrslawyers.com
- Mikel R Bistrow bistrowm@ballardspahr.com, burkec@ballardspahr.com
- Christopher Celentino celentinoc@ballardspahr.com, burkec@ballardspahr.com
- Howard M Ehrenberg hehrenberg@sulmeyerlaw.com,
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- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov
- Joyce H Vega vegaattorneys2@gmail.com